

Avoiding an MRV bottleneck

FROM BALLAST WATER management to sulphur abatement, ship owners habitually time their regulatory compliance with last-minute precision. But while the first deadline for the MRV - the submission of a monitoring plan for approval by 31 August 2017 - is more than a year away, the time to act is now, says Dufour.

Verifavia was founded by aviation industry veterans in 2010 to audit airlines for new EU emissions legislation. It quickly gained a 30% market share, verifying emissions reporting for nearly 800 companies from 60 countries, and today it stands at the vanguard of another emerging industry. On 2 January 2017 the company expects to become one of the first accredited verifiers for the EU's shipping MRV regulation.

The company that Dufour describes as "chartered accountants for emissions" has already started conducting pre-verification GAP-Analyses for DFDS Seaways, NEDA Maritime Agency, Seaspan Ship Management and Synergy Maritime. It has also adopted the mantle of verifying IT systems against the regulation, most recently SetelHellas' SeeMBox-V.

But while these outliers have taken early action, the majority of the industry has yet to engage. With an estimated 12,000 vessels required to comply, and only four months for verifiers to assess monitoring plans, the risk of a bottleneck is acute. In the interview below, Dufour discusses the role of the verifier, what compliance means and why shipowners should act now.

Q Can you give me some background to your entry into the shipping sector?

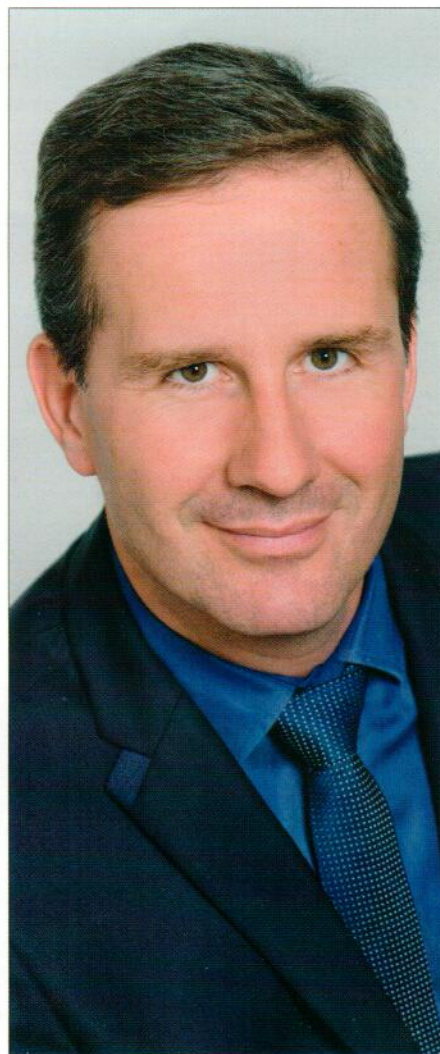
A Our origins are in aviation, and last year we started verifying airports under a voluntary Airports Council International (ACI) scheme. Around the same time, we also decided to develop shipping in light of the MRV regulation, after the European Commission submitted a proposal in June 2013. We started to promote the shipping service two years ago, and launched a dedicated website on 1 July 2015, on the same day that the regulation came into force.

In aviation, we are accredited to verify that emission reports submitted to the EU Competent Authorities are correct, that data is accurate, fairly stated and a true reflection of reality. We are accredited to ISO 14065 standard by the UK Accreditation Service (UKAS), which allows us to conduct carbon emission verification services for aviation and soon for the shipping industry.

Q What role does the verifier play in the shipping MRV?

A The verifier has three roles. The first is to assess the monitoring plan against the requirements of the regulation, so we make sure that the processes, procedures and methodology described for collecting and reporting emissions and other data is in compliance with the regulation.

Shipowners should act now to ensure compliance to the European Union's Monitoring, Reporting and Verification (MRV) regulation, intended to accurately establish shipping carbon emissions data before any future reduction measures, Verifavia CEO **Julien Dufour** tells *The Motorship*.



The second role is to verify the emission report that has to be prepared and submitted by operators to the Commission and the Flag State by April 30, 2019 for the first time. We have to verify that the procedures used conform to the assessed monitoring plan and the regulation, and also to check that the data in the report is correct.

The third role of the verifier is to deliver the Document of Compliance that every ship will have to carry onboard starting from June 2019. So there is both an administrative role and a verification role to play.

Q What are the outstanding details that remain to be prescribed?

A There are five main items that have yet to be finalised. They include technical details relating to verification rules, the accreditation of verifiers, determination of transport work handled by vessels other than passenger ships, ro-ro ships, and container ships, the template of the monitoring plan and the template of the emission report.

These are the main five items that are being discussed in Brussels at the MRV subgroups of experts under the European Sustainable Shipping Forum (ESSF), which is responsible for drafting the delegated and implementing acts. These acts will be released in June or July 2016 for public consultation, and will come into force at the end of December 2016. The legal basis for those acts is the regulation 2015/757, which has been in force since July 2015. They will include those resolved technical details and also will describe the IT system that will be used by verifiers, operators, the Commission and Flag States to facilitate the exchange of information. They also amend annexes to regulation in light of new technology.

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regulation has been defined, either legally or at working group level. The methodology regarding reefers and general cargo ships is still not defined. But the level of development is good enough for shipping companies to start preparing for the MRV regulation. For example, they can already begin drafting their monitoring plans.

From the shipping community perspective, the main problem seems to be that the data collected will allow anybody to compare ships against those of the same type, even if such comparison may not be relevant as numerous parameters have an impact on the energy efficiency of ships. That's the main problem but I don't think it will change as this is the main objective of the regulation which is now in force.

Q How much will the MRV regulation cost a ship operator for compliance?

A Assuming the ship operator has an IT and sensor system already, the only mandatory cost is the verifier. There is not even a market yet so we can't say what that verification cost would be, but it should not be too significant. Obviously the cost will depend on the size of fleet given economies of scale.

Q Tell me about the advance work you are already conducting with five ship operators.

A We have been contacted to provide pre-verification GAP-Analysis, where we check the company's data and procedures against the requirements of the regulation in order to identify potential non-compliance and assess readiness. This means those operators will be able to take timely corrective action and be MRV-ready before the real thing starts next year.

That's why it's important to start now. It's not a mandatory process, the very first deadline is the end of August 2017, by which time every ship exceeding 5,000 GT calling at an EU port will need to submit a monitoring plan to a verifier for assessment. But it's a good idea to start earlier. It's a new regulation and is not very complicated, but there is a lot to do.

2016 is a good year to start looking at the regulation. In particular ship operators need to think

about the type of data needed, how it might be collected on the ship, what kind of IT system is used, how data is transferred, stored, extracted, controlled and checked, how the calculations are made and how the report is compiled. These are the items that the verifier will check.

Q What practical advice would you give to ship operators looking at the MRV for the first time?

A The first step is to read the MRV regulation - not once but maybe ten times, it is not very easy language as it is an EU document. Then, the second step is to start to design a monitoring plan. The third step is to hire a verifier who will come to the office, assess plans, ask questions, review documents, and use experience and regulation knowledge. They will also have knowledge of the upcoming delegating acts and general principles - there are a lot of details that are not included in the regulation but are included elsewhere. Then the verifier performs GAP-Analysis, and recommends corrective actions.

Verifiers can also provide an 'MRV-ready' certificate, which provides assurance to other stakeholders that the company is ready for the implementation. It can be used as a marketing communications tool for charterers, partners, financiers and so on.

Many IT system providers are also looking for accreditation. So we are offering a certification service using ISO standards on product certification and software engineering. This allows suppliers to go to market to sell their system and give reassurance that it complies with the regulation.

Q How does the MRV compare with proposed IMO system of reporting emissions data?

A The IMO proposal does not require the collection of cargo data. Instead it is using design deadweight as a proxy, so the result will be totally different to the shipping MRV. It will be a much less accurate figure - the same number whether the ship is totally empty, fully laden or in ballast. The IMO proposal cannot be compared to the level of details required by the EU MRV.

The IMO doesn't ask for verification either, thus we are not involved at all in that process. Neither of these

factors will please the European Commission, and I seriously doubt whether the Commission will accept that the current IMO proposal triggers the annulment of the MRV.

Q So to recap, what are the key deadlines?

A In June or July 2016 the Commission will open a public consultation on the delegated and implementing acts. Ship owners have already been represented on the sub-groups through their associations, so this will be for interested stakeholders beyond the industry - flag states, verifiers and environmental groups.

At the end of December 2016, those delegated and implementing acts will come into force. By 31 August 2017, ship owners have to have their monitoring plan submitted for assessment before the end of December 2017 which is the monitoring plan assessment deadline.

Q That seems a very short window for verification.

A It is a very short period of time to assess the monitoring plan of potentially 12,000 ships. We are trying to convince ship owners to start now. If a ship owner contacts us tomorrow, he can be assessed by next month. The bulk of the job can be done now, it is important to be aware of this. Between now and mid 2017 there is time to do it thoroughly and calmly. Also if shipping companies need to make a corrective action, to update their IT systems, etc., then the earlier they identify the problem the more time they have to correct it. **MS**

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Dufour (centre) discusses the MRV with stakeholder during a roundtable chaired by Blue Communications' Alisdair Pettiigrew (third from left) and hosted by Norton Rose Fulbright partner Phillip Roche (second from left)